



# Controller Betty T. Yee

## California State Controller's Office

### Unclaimed Property Division

Winter 2015

Holder Newsletter

Volume 8, Issue 3

#### Inside this Issue

<a href="#">Changes to State Unclaimed Property Law</a>	1
<a href="#">State Controller's Due Diligence</a>	2
<a href="#">Did You Discover More Property?</a>	2
<a href="#">Holder Due Diligence for 2016 Report Year</a>	3
<a href="#">Upcoming Events</a>	4
<a href="#">Important Deadlines</a>	5
<a href="#">Contact Us</a>	5

## Changes to State Unclaimed Property Law

Two new California laws related to unclaimed property take effect January 1, 2016.

Senate Bill 134 (Chapter 488, Statutes of 2015) adds section 1564.5 to the Unclaimed Property Law. California law requires attorneys and law firms who handle trust funds to establish an interest-bearing demand trust account for certain client deposits. California law also requires attorneys and law firms (holders) to report and transfer property to the State Controller's Office when there has been no activity for a certain period of time, generally three years. SB 134 requires funds held in Interest on Lawyers' Trust Accounts (IOLTA) that escheat to the State to be deposited into a new Abandoned IOLTA Property Account within the Unclaimed Property Fund. The law allows for an annual transfer into the Public Interest Attorney Loan Repayment Program administered by the California Student Aid Commission. View [details about this new law](#).

*How this affects holders:* When reporting funds held in an IOLTA, use new property type code TR89. The dormancy period for properties held in an IOLTA is three years.

Holders must review their records each year to determine if they hold any property, whether tangible or intangible, that has been unclaimed for the required dormancy period. Once property has remained unclaimed for the specified time, it becomes reportable to the State ([California Code of Civil Procedure \(CCP\) section 1520](#)).

- Report to California if the last known address of the apparent owner(s) is in California ([CCP section 1510](#)).
- Perform [due diligence](#) for all properties with a value of \$50 or more before reporting to the State.
- Attorneys and law firms must file unclaimed property reports by first filing a Holder Notice Report before November 1 each year, then filing a Holder Remit Report between June 1 and June 15 each year ([CCP sections 1530 and 1532](#)).

(continued on next page)



## Changes to State Unclaimed Property Law (Continued)

Assembly Bill 355 (Chapter 297, Statutes of 2015) adds section 1531.6 to the Unclaimed Property Law. This change authorizes the State Controller to mail a separate notice to a reported owner of a United States savings bond or military award inside a safe deposit box or other safekeeping repository if the name shown on the item is different from the name of the reported owner. View [details about this new law](#).

*How this affects holders:* This law only affects the State Controller's Office and does not require the holder to take any action other than required under [CCP section 1514](#).

### State Controller's Due Diligence

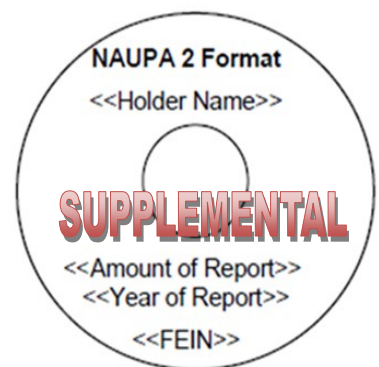
Now that holders have submitted their 2015 Holder Notice Reports, the State Controller will mail due diligence notices to reported owners of securities, safe deposit boxes, and property valued at \$50 or more. These notices will be mailed within 165 days of receiving the Holder Notice Report and will instruct property owners to contact the holder to claim their unclaimed property before it is sent to the State Controller's Office.

If the property owner contacts the holder to claim unclaimed property before the required Holder Remit Report due date of June 1 (or December 1 for life insurance companies), the property is no longer considered dormant. Once contact has been made, the holder should pay the property directly to the property owner and should not report or remit the property with the Holder Remit Report. For owner accounts that are no longer unclaimed, the holder may either exclude the owner accounts from the Holder Remit Report entirely or include the owner accounts on the Holder Remit Report with an appropriate pay or deletion type code and show the property remitted amount as zero.

### Did You Discover More Property?

If you discover additional dormant properties after submitting your 2015 Holder Notice Report, you must report these properties on a separate Supplemental Notice Report. Please do not add these properties to your 2015 Holder Remit Report. California law requires that, before unclaimed property can be transferred to the State, the State Controller must send a notice to the owner providing an opportunity to claim the property directly from the holder.

A holder's Supplemental Notice Report should only contain new properties. When filing your report, check the "Supplemental Notice Report" box on the Universal Holder Face Sheet (UFS-1) and write "SUPPLEMENTAL" on the diskette along with the holder's name, federal employer identification number, report year, "As of" date, and dollar amount of the report. You will receive a separate Holder Remit Reminder Letter (14F), which provides the due date for your Supplemental Remit Report.



California [Code of Civil Procedure \(CCP\) section 1577](#) requires interest be paid to the State Controller at the rate of 12 percent per year on that property or value thereof from the date the property should have been reported, paid, or delivered.

## Holder Due Diligence for 2016 Report Year

If you are planning to submit a Holder Notice Report before November 1, 2016, due diligence must be performed by April 30, 2016. Holders must send due diligence notices to owners with a property value of \$50 or more prior to reporting these accounts to the State Controller's Office. Reporting cycle tables are on the [Controller's website](#). Below is a sample of the three-year dormancy table.

Due Diligence Must be Performed	Notice Report Due Before	Remit Report & Remittance Due
10/31/15 - 4/30/16	11/1/16	6/1/17 - 6/15/17

A sample due diligence letter is [here](#). The letter must include the following elements:

- A heading at the top of the face of the notice that reads: "THE STATE OF CALIFORNIA REQUIRES US TO NOTIFY YOU THAT YOUR UNCLAIMED PROPERTY MAY BE TRANSFERRED TO THE STATE IF YOU DO NOT CONTACT US," or substantially similar language. (California Code of Civil Procedure section 1520)
- A specific date when the property will escheat and the effects of escheat, including the need to file a claim in order for the owner's property to be returned to the owner.
- An exclusive heading, in boldface type or in a font a minimum of two points larger than the rest of the notice, that:
  - Specifies that since the date of last activity, or for the last two years, there has been no owner activity on the deposit, account, shares, or other interest;
  - Identifies the deposit, account, shares, or other interest by number or identifier, which need not exceed four digits;
  - Indicates that the deposit, account, shares, or other interest is in danger of escheating to the State; and
  - Specifies that the California Unclaimed Property Law requires banks, banking organizations, and financial organizations to transfer funds of a deposit, account, shares, or other interest if it has been inactive for three years.
- A form where the owner may confirm the current address. If that form is filled out, signed by the owner, and returned to the holder, the account must be deemed active and the escheat period starts over. In lieu of returning the form, the holder may provide a telephone number or other electronic means to enable the owner to contact the holder.

A holder may charge a fee for sending due diligence letters under specific conditions. Refer to the *Unclaimed Property Deductions and Withholdings* article in the [Spring 2015 newsletter](#).

## Upcoming Events

Representatives of the Outreach and Compliance Unit (OCU) are available to attend your business events to provide an overview of the California Unclaimed Property Law and mandated reporting requirements. State Controller employee participation in these events is not an endorsement of the views, opinions, products, or services of any participant or entity.

### **January 14: Small Business Tax Forum (Citrus Heights)**

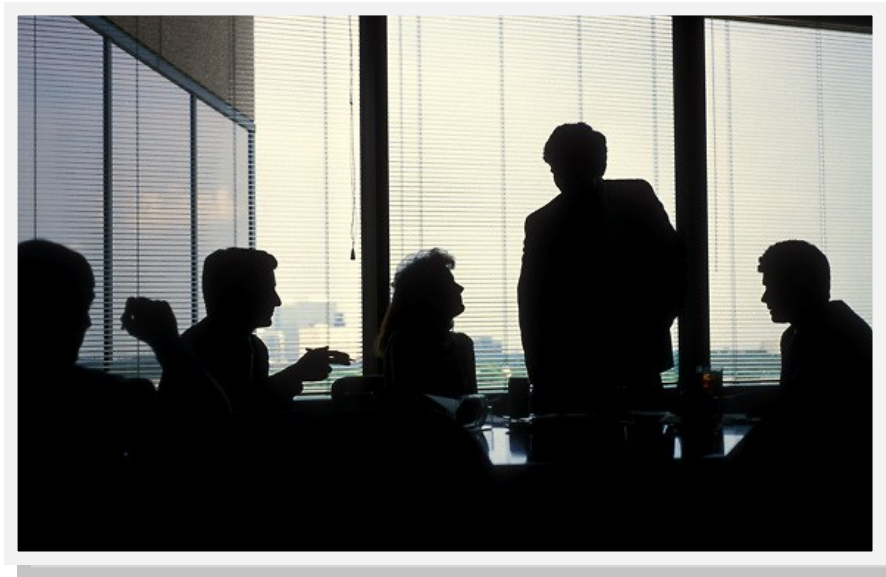
The Sacramento Area United States Small Business Administration will host the annual Small Business Tax Forum in partnership with the California Employment Development Department, Internal Revenue Service, California Board of Equalization, and California Franchise Tax Board. View additional information and register for [this event](#).

### **January 14: North State Economic Forecast Conference (Oroville)**

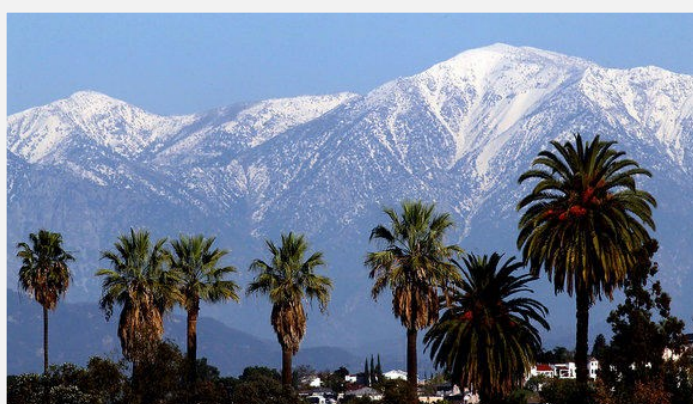
Hosted by the regional Small Business Development Center (SBDC), the annual conference gathers a diverse crowd from businesses, utility companies, nonprofit organizations, governments, universities, and community groups. Attendees are invited to participate in a tradeshow of local businesses and organizations, breakout sessions with local leaders, and networking opportunities. View additional information and register for [this event](#).

### **February 16: Reporting Unclaimed Property - What You Need to Know (Sacramento)**

Hosted by the California Capital Financial Development Corporation, this free workshop will provide practical details about reporting unclaimed property to the State. View additional information and register for [this workshop](#).



To receive notifications about future workshops, seminars, and events, subscribe to our [email distribution list](#).



## Important Deadlines

### Before May 1

Holder Notice Reports due  
for life insurance companies

Due diligence must be completed  
for 2016 report year



## Contact Us

**California State Controller's Office  
Unclaimed Property Division  
10600 White Rock Road, Suite 141  
Rancho Cordova, CA 95670**  
[www.sco.ca.gov](http://www.sco.ca.gov)

Reporting Assistance (916) 464-6284

Claims Assistance (800) 992-4647  
(outside USA) (916) 323-2827  
[www.claimit.ca.gov](http://www.claimit.ca.gov)

1577 Interest Assessment Unit (916) 464-6092  
(for CA CCP §1577 inquiries) [UPD1577@sco.ca.gov](mailto:UPD1577@sco.ca.gov)

Outreach and Compliance Unit (916) 464-6088  
[UPDHolderOutreach@sco.ca.gov](mailto:UPDHolderOutreach@sco.ca.gov)

Questions Regarding (916) 464-7123  
Securities [UPDSecRecon@sco.ca.gov](mailto:UPDSecRecon@sco.ca.gov)

Questions Regarding EFT (916) 464-6220  
Remittance [UPDSCOEFT@sco.ca.gov](mailto:UPDSCOEFT@sco.ca.gov)

Please send your newsletter comments, ideas, or concerns to [UPDHolderOutreach@sco.ca.gov](mailto:UPDHolderOutreach@sco.ca.gov)